

Position Paper

Restoring Eligibility for Financial Compensation of CO₂ Costs in Electricity: Essential for the Competitiveness of the Plastics Industry

The plastics industry as vital contributor to Europe's economy and central facilitator of a low-carbon future faces significant increases in energy costs, further exacerbated by the CO₂ costs embedded in electricity prices. Since 2020, the sector was not eligible any more for a compensation of these indirect costs under State Aid Guidelines. Considering the significant changes in market conditions, CO₂ prices etc., **Plastics Europe calls for a reassessment of the eligibility for the plastics sector (NACE 20.16) and precursors (NACE 20.14) in the framework of the State Aid Guidelines.**

The plastics industry is a vital contributor to Europe's economy and plays a central role in the transition to a low-carbon future. However, the sector faces growing challenges due to rising energy and distribution costs, further exacerbated by the CO₂ costs embedded in electricity prices. These indirect carbon costs place European plastics producers at a significant disadvantage compared to non-European competitors, who are not subject to comparable regulatory burdens. This undermines the competitiveness of European-made products, weakens the industrial base, and increases dependency on imports.

The European Union has recognised this challenge through its State Aid Guidelines, which enable Member States to compensate energy-intensive industries for indirect ETS-related costs. Until 2020, large parts of the chemical and plastics sectors were included on the eligibility list for this compensation. However, following the latest revision — which was based on historic market conditions, trade intensities, gross value added (GVA) data, and low CO₂ prices — many sectors were removed from the list, including significant parts of the plastics industry.

Since that revision, the economic and geopolitical landscape has fundamentally shifted: CO₂ prices have risen sharply, global market conditions have evolved, and the strategic importance of maintaining a resilient European industrial base has become more evident than ever. The plastics industry, as a trade-exposed and energy-intensive sector, is at high risk of carbon leakage. Without

adequate compensation for indirect CO₂ costs, producers will continue to face financial strain, reduced competitiveness, and further closures will be inevitable — threatening jobs, economic stability, sovereignty, and Europe's climate ambitions.

Plastics Europe therefore calls for a reassessment of eligibility for the plastics sector (NACE 20.16) and precursors (NACE 20.14) in the framework of the State Aid Guidelines. A fair and future-proof compensation mechanism should reflect the real-world challenges the industry faces, taking into account factors such as electricity intensity, GVA, and the sharp increase in CO₂ prices. Sector groups often comprise diverse subsectors, each facing distinct risks and competitive pressures. Aggregating data at the sector level does not always accurately reflect the specific challenges encountered by individual subsectors.

A strengthened and balanced compensation framework is crucial to:

- Prevent carbon leakage;
- Safeguard Europe's industrial competitiveness;
- Support sustainable and innovative production;
- Enable the plastics industry to continue driving solutions for the green transition.

Only through such measures can Europe secure its industrial sovereignty, maintain its climate leadership, and ensure a level playing field for its industries.

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